



# THE NEW JERSEY ADVOCATE



Quarterly Publication

A Publication Of The Division Of The Ratepayer Advocate

Spring 2004

## DIRECTOR'S MESSAGE



An early spring morning in New Jersey: outside, a soft pink glow pushes through charcoal skies, announcing the arrival of daybreak. Inside, it is still quite dark. The clock radio turns on for my wake up call--6:00 a.m. I switch on the bedside lamp and make my way to the kitchen to start the family's breakfast. I take a moment to check my office

voice mail by telephone.

In the background, I can hear sounds of the household rising and the TV weatherperson giving a rainy forecast for later in the day. I look outside the window, and the golden rays of the newborn sun have just begun burnishing the earth, where the green shoots of Spring unfurl.

Like many New Jersey residents, in the first fifteen minutes of my morning, I had used all the essential services that play a crucial part of the rest of my day. Water- Natural Gas - Electricity - Telephones - Cable Television.

As Ratepayer Advocate for the State of New Jersey, I am responsible for ensuring the affordability, reliability and quality of these life-preserving and life-enhancing services for the people of New Jersey.

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## NEWS YOU CAN USE

### COUNTDOWN TO NATIONWIDE LOCAL NUMBER PORTABILITY



### "WATTS" UP WITH ELECTRIC RATES?

### WATER RATE HIKE LIMITED



### SOUTH JERSEY GAS COMPANY SEEKS RATE INCREASE

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## BUILDING A BETTER NEW JERSEY IN THE FACE OF RISING UTILITY COST



Whether it is heating our homes, turning on a light or making a phone call, we are building a better New Jersey when it comes to delivering the utility services we count on everyday. With the help of Ratepayer Advocate Seema M. Singh, my Administration is fighting the right fights and using innovative ways to keep costs down for the consumer.

Over the past two years we have made great progress on several fronts:

### ● Energy Aggregation

Energy aggregation allows individuals within a municipality to purchase energy as a group. By purchasing energy in bulk, there is greater negotiating power and, as a result, greater potential cost savings.

Last year I signed needed legislation to fix the State's flawed energy aggregation program. We eliminated the restrictions and limitations that resulted in not a single New Jersey municipality successfully entering into the State's energy aggregation program since its inception in 1999.

### ● Consumer Conservation

The Consumer Conservation Handbook provides room-by-room guidance and conservation tips to prepare your home for winter and summer weather. The guide helps residents use less energy and save more money on their monthly bills.

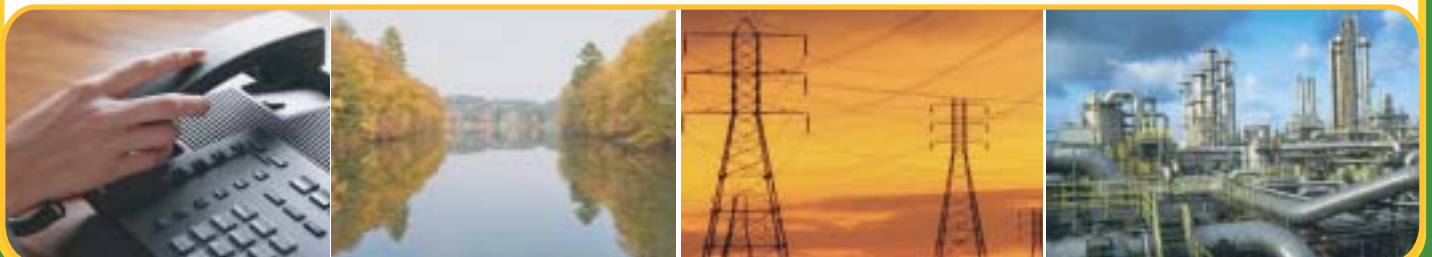
As part of our efforts to make energy more affordable, we initiated a statewide campaign to offset the costs of rising energy prices. Most of our energy-saving tips can be done with little, if any, cost to you.

### ● Universal Service Fund (USF)

For those on a low or fixed income, the rising costs of electricity or natural gas can be a large burden on their budget.

To remedy the problem my Administration created the USF program to ensure that New Jersey utility customers pay an affordable portion of their household income for energy utility costs.

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## CALENDAR OF EVENTS

May 5, 2004 – Ratepayer Advocate speaks at the New Jersey Water Environment Association Annual Conference in Atlantic City, New Jersey.

May 7, 2004 – State Employee Recognition Awards held in Trenton, New Jersey.

May 12, 2004 – Ratepayer Advocate gives Consumer Education presentation on energy to Metuchen Borough Council and Metuchen residents.

June 6-7, 2004 – Ratepayer Advocate to speak on the role of consumer advocates at the National Fuel Funds Network ("NFFN") 20th Annual Conference in St. Louis, Missouri.

July 21, 2004 – Ratepayer Advocate gives Consumer Education presentation on conservation to the Ocean City Utility Advisory Commission and area residents in Ocean City.

## RECENT RATEPAYER ADVOCATE PUBLICATIONS



### **CONSUMER ASSISTANCE HANDBOOK: A Guide From The New Jersey Division Of The Ratepayer Advocate For Natural Gas, Water, Electric, Telephone And Cable Television Customers – No Cost**

Provides utility customers detailed information needed to select competitive energy and telecommunications providers in newly competitive utility markets.



### **CONSUMER CONSERVATION HANDBOOK ("THE GREEN BOOK") – No Cost**

"The Green Book" provides practical information in a room-by-room conservation guide to help consumers reduce energy use for heating and cooling, along with tips on how to choose efficient appliances.



### **MANUAL FOR GOVERNMENT ENERGY AGGREGATORS: A Guide To Aggregation Procedures Pursuant To The Electric Discount And Energy Competition Act As Amended – \$50 For Gov/Not-For-Profit; \$100 All Others.**

A 206 page technical guide to planning for municipal, county, or other community energy needs. Includes most recent, relevant Board of Public Utilities rules and Orders; free regular updates. A must-have for organizations considering aggregating their utility purchasing needs.

To order copies of these publications or see others, please visit our website at [www.rpa.state.nj.us](http://www.rpa.state.nj.us) or call the Ratepayer Advocate's office.

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### COUNTDOWN TO NATIONWIDE LOCAL NUMBER PORTABILITY

On May 24th, 2004, Local Number Portability ("LNP") will take the stage in a national rollout across the country, after a troubled interim implementation last year in the largest 100 Metropolitan Service Areas ("MSA") established by the Federal Communications Commission ("FCC").

LNP gives subscribers the freedom to keep their existing wireline or wireless numbers when they switch to another carrier. The technical term is "porting."

Patience and caution are urged for those planning on participating in the "second act" since the number of participating cellular carriers will have increased more than tenfold. More than 100 small cellular carriers will be joining the ten major providers, and critics are predicting mixed results, including some disappointment for customers along the way.

The November 24, 2003 LNP effort saw serious delays in completing porting requests and a high incidence of failed ports. Some customers were stranded with no cellular service or were switched to the wrong carrier. "Validation failure," or a mismatch or lack of subscriber information exchanged between carriers, emerged as one of the main problems. However, industry analysts expect the national rollout of LNP will benefit from the experience of the initial MSA implementation, with smaller carriers hopefully tapping into the experience of the bigger providers.

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### "WATT'S" UP WITH ELECTRIC RATES?

Before February 1999, New Jersey's power needs were met by four utilities: Public Service Electric and Gas ("PSE&G"), Jersey Central Power and Light ("JCP&L"), Orange and Rockland Electric Company ("RECO") and Atlantic City Electric Company (now part of "Conectiv").

Enter EDECA, the Electric Discount and Energy Competition Act, enacted in February 1999, which deregulated the supply side of the industry and unbundled

the services of the utilities. The familiar utility incumbents will continue handling distribution and transmission, but they have for the most part "divested," or sold, their power plants.

EDECA changed the rules of the power game, allowing many new suppliers to compete for a piece of the action, while the demand side, or customers, benefited from the introduction of a heavy hitter --- the State of New Jersey.

The State got involved by holding an annual auction for New Jersey's power needs. The auction is designed to facilitate the purchase of power by utilities at competitive prices, and avoid spot market price spikes, by inviting qualified licensees to bid for large blocks of a utility's power needs. The auction secures competitive electricity prices for all New Jersey ratepayers.

Once unlikely players in the electric power supply game, Wall Street giants such as Morgan Stanley Capital Group, and private equity firms like Aron and Company, have ...

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### WATER RATE HIKE LIMITED

The Ratepayer Advocate was instrumental in negotiating settlements in three major water rate cases, which were approved by the Board of Public Utilities in February 2004. The settlements avoided large rate increases sought by New Jersey American Water Company ("NJAWC"), Elizabethtown Water Company ("EWC"), and Mount Holly Water Company ("MHWC"). These companies are subsidiaries of the world's third largest water company, Thames Water Plc, which is part of the German utility conglomerate RWE. Together, the three water utilities supply water service to over two million New Jersey residents.

NJAWC, the state's largest single water utility, sought an overall increase of almost \$52 million, a 20.6% hike that included a request to increase residential rates by 22.3%. Under the terms of the settlement agreement, NJAWC's overall rate increase is limited to 9.59%. For the average residential customer using 84,000 gallons per year, the water bill will increase by about 9.86%, or \$41.49 annually.



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### SOUTH JERSEY GAS COMPANY SEEKS RATE INCREASE

In August, 2003, South Jersey Gas Company ("SJG") filed a petition with the Board of Public Utilities ("BPU") for approval to increase its base rates for natural gas by \$42.4 million or 8.7% overall over current revenues of \$488.1 million. The requested increase was based in part on claims of greater operating costs and a massive construction program for an expanded transmission and distribution infrastructure.

The Company's request, if approved, would increase a typical monthly residential customer's winter heating bill, reflecting 200 therms of natural gas use, by approximately \$23.15 or about 8.6%.

At the Ratepayer Advocate's urging, this base rate proceeding was consolidated with SJG's pending petition for a Capacity Allocation Charge ("CAC"). The CAC establishes a rate mechanism to compensate SJG for the costs of providing back-up service to customers who purchase their natural gas commodity service from another supplier.



## DIRECTOR'S MESSAGE

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The challenge is formidable, but it is one that my dedicated and professional team performs with admirable skill and significant success.

In the past two years, we have secured many victories for ratepayers. Lifeline services for qualified energy customers have been extended; clean water at the lowest cost will be made available to low income groups; ratepayers were saved \$55 million dollars in annual directory assistance charges; \$4 million in donations for the Department of Education were negotiated; and a Permanent Universal Service Fund was established. Most recently, we monitored the consequences of number portability and provided subscribers with a checklist of safeguards.

Our mission requires key partnerships with the public. We are working to increase our interaction with New Jersey's utility customers. An important part of our mission is to inform and educate all ratepayers.

That is why we are proud to announce the debut of ***The New Jersey Advocate***.

In this quarterly newsletter, we will keep you informed of important utility issues that affect the people, the economy and the institutions of New Jersey. We will report on our efforts on your behalf in the State and Federal Courts, before the Board of Public Utilities, the State Legislature and Federal agencies, where we are fighting to ensure that you receive high quality, reliable utility services at fair and reasonable rates.

In future editions, ***The New Jersey Advocate*** will provide valuable information on issues such as how to deal with natural gas leaks, conservation tips, how to shop for and choose alternative energy and telecommunications suppliers, and other useful information.

Please let us know about the issues **you** would like us to discuss.

My staff and I look forward to working together with you to ensure a safe and prosperous New Jersey.

Seema M. Singh, Esq.  
New Jersey Ratepayer Advocate

Spring, 2004

## BUILDING A BETTER NEW JERSEY

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Under the USF program, qualifying households pay no more than six percent of their income for natural gas and electric service combined.

### ● Directory Assistance Calls

Until recently Verizon customers were charged on a per call basis for directory assistance. We negotiated a settlement with Verizon that provides New Jersey residential customers with four free directory assistance calls per month. This can save Verizon customers up to \$24 a year.

Whether by helping you make more informed decisions, encouraging conservation, or participation in our revamped energy aggregation program, my Administration is working to keep energy, telecommunications and water services

affordable and reliable for New Jersey consumers.



James E. McGreevey  
Governor, State of New Jersey



### DID YOU KNOW?

**Ma Bell might have been Ma Gray.**

That's because Elisha Gray submitted his patent on the same day as Alexander Graham Bell on February 14, 1876 but only two hours later.

## SOUTH JERSEY GAS COMPANY SEEKS RATE INCREASE

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The Ratepayer Advocate is conducting a detailed analysis of SJG's base rate application and CAC request, based upon the information supplied and kept current by SJG. The Ratepayer Advocate's inquiry is focused on whether SJG's proposals allow ratepayers to pay the lowest rates possible consistent with receiving safe, reliable and proper service. The BPU, after review of the legal submissions from the

parties, including the Ratepayer Advocate and the Initial Decision of the Administrative Law Judge, will make the final decision regarding the utility's requests for adjustments to its base rates and CAC.

Whatever the final decision regarding SJG's petition, consumers are encouraged to practice energy conservation as the best way keep their costs down.



## **RATEPAYER ADVOCATE ENCOURAGES YOUNG WOMEN TO JOIN PUBLIC SERVICE, BECOME LEADERS OF TOMORROW**

Ratepayer Advocate Seema M. Singh encouraged the young women leaders of the State to become active in public service during her keynote address at the Young Women Leaders Day at the State House in Trenton on March 30. Citing her professional and personal background which led to her becoming the first Indian-American woman chosen to serve in the Governor's Cabinet, Ms. Singh urged the young women to inject fresh ideas and innovative perspectives into public policy decision-making.

"When women become involved in substantive public policy, using their skills, knowledge and life experiences, the world benefits," Ms. Singh said.

"Women's participation in national and world policy will make society more open and responsive. The progress of the next generation will be profoundly affected by the young women leaders of today."



Seema M. Singh, Esq., New Jersey Ratepayer Advocate

## **RATEPAYER ADVOCATE IN THE NEWS**

### **Dialing up the Internet? Check the phone number**

New Jersey's Ratepayer Advocate is warning people whose computers connect to the Internet by dialing a telephone number to make sure the call is local. Her office had received half a dozen complaints about numbers being changed to toll calls.

*The Philadelphia Inquirer, March 11, 2004*

### **Low Income Assistance for Water Bills**

Settlements negotiated with New Jersey American, Mount Holly and Elizabeth Water companies require the three water utilities to establish relief programs for low income customers for the first time, according to Ratepayer Advocate Seema M. Singh.

*The Express-Times, February 19, 2004*

### **Advocate: Power to the People**

State Ratepayer Advocate Seema M. Singh told an Assembly committee she wants shareholders in power companies to pay from their dividends for corporate missteps.

*The Asbury Park Press, February 10, 2004*

### **Utility Performance Standards**

New Jersey Ratepayer Advocate Seema M. Singh urged the adoption of permanent standards for reliability performance and automatic penalties for utilities if they fail to achieve them. "If a company fails to live up to these standards, then it should be assessed automatic penalties out of corporate profits," she said. "That means shareholders will pay for managements' failures to deliver reliable service."

*The Star-Ledger, February 10, 2004*

### **Municipal Aggregation: The Alternative to Surging Energy Prices**

Right now, conservation and aggregation are the only realistic alternatives to rising energy costs for residential ratepayers and small business customers.

Article by Seema M. Singh

*New Jersey Municipalities Magazine, February 2004*

### **Directory Assistance Savings**

Residential customers will retain the right to make four free directory assistance calls each month before being charged for the service under a settlement approved by the State Board of Public Utilities, Verizon New Jersey and the New Jersey Ratepayer Advocate's office.

*The Star-Ledger, January 10, 2004*

## COUNTDOWN TO NATIONWIDE LOCAL NUMBER PORTABILITY

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While original estimates of the number of customers who would seek to change providers were as high as 12 million, only 4 million subscribers ported in the first four months following the initial rollout on November 24th. Verizon emerged as the biggest winner in the initial rollout of local number portability at 3:1, with 3 porting to and 1 from the carrier. T-Mobile and Nextel came in second at 2:1 followed by Cingular and Sprint at 1:1. AT&T suffered the most initial defections at a rate of 1:5.

The average time to complete a port is a full day, compared to the two and a half hour time to switch, or "porting interval," projected by the carriers and prescribed by the FCC. Complaints are easing but still significant. The FCC reports that while the total complaints regarding LNP reached 6,640 on March 24th, the number of complaints per month has declined from 2400 in the first 30 days to 800 in the last 30 days.

Much of New Jersey was included in the November 24th rollout, except for Mercer, Atlantic, Cape May and Cumberland counties. Effective May 24th, residents of these counties will have the ability to port their numbers.

New Jersey Ratepayer Advocate Singh welcomes LNP

because it provides ratepayers with more choices among carriers, as well as the convenience of keeping their existing numbers, an option long enjoyed only by "landline" customers.

At the same time, the New Jersey Ratepayer Advocate is taking the lead in monitoring the complaint data from the FCC and issuing a Consumer Alert with safety precautions and a checklist for ratepayers.

Ms. Singh has called on wireless carriers to learn from the initial rollout of number portability, to correct the problems discovered, and to ensure better implementation during the national roll out on May 24th.

### **Checklist for ratepayers planning to port:**

- Find out if your cellular carrier participated in the initial roll out of local number portability.
- Contact your new carrier first and provide it with the latest bill from your current carrier.
- Hold onto your existing number with the original carrier, and keep your existing cellular account until the port is successful. This may mean having two phones until the port is complete.

## "WATT'S" UP WITH ELECTRIC RATES?

*cont. from page 3*

emerged as serious contenders, picking up generation plants or power contracts and becoming licensed to do business in the State of New Jersey.

The innovative strategy of auctions adopted by the State, which involves bidding on the Internet, has spurred competition, sparked greater choice and resulted in price advantages for ratepayers, even though many experts expected wholesale prices to be pushed up by the rising cost of natural gas and coal, which in turn, affects the price of power.

The total cost of power purchased in the seven day

February 2004 auction (as certified by the Board of Public Utilities) amounted to an estimated \$5.1 billion, resulting in lower electric rates and a savings of \$24 million for ratepayers annually. Most of New Jersey's 3.2 million residential customers will see their bills drop by anywhere from \$0.43 cents to \$1.02 per month beginning in June 2004.

The auction prices that have been set to take effect in June 2004, ensure that the ratepayer is insulated from market price fluctuations, but changes in the weather, economic or political conditions may also affect prices.

## WATER RATE HIKE LIMITED

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EWC sought an overall increase of over \$18 million, or 11.6%. The settlements limited the overall EWC increase to only 3.14%. For the average residential customer using 84,000 gallons per year, this translates into a water bill increase of about 3.35%, or \$9.21 annually.

MHWC, a subsidiary of EWC, sought an overall increase of almost \$2 million, or 27.82%. The MHWC settlement limited the overall increase to 9.59%. For the average residential customer using 84,000 gallons per year, the water bill will increase only 9.79% or, approximately \$33.17 annually.

The rate increases that result from these settlements will provide the utilities with funds to continue to make crucial

investments in the safety and reliability of the drinking water supplies for millions of people in New Jersey. The Ratepayer Advocate also expects these rate increases to allow the companies to keep rates stable for years into the future.

In addition to sharply limiting the size of the rate increases, the Ratepayer Advocate was able to secure a commitment from the utilities to support important new initiatives, including the establishment of a framework for a Low Income Payment Program for families on limited incomes, which should provide substantial water rate relief to these ratepayers for the first time in New Jersey.

## CONSUMER ADVISORY

### Budget Billing For Electric And Natural Gas



Budget billing is an optional payment program that allows you to spread your energy expenses evenly throughout the year. Once enrolled, your monthly bill is based upon your average usage over the previous 12 months. Budget billing gives you more certainty about what your bills will be each month. For example, during the winter, heating your home generally means a higher natural gas bill.

Budget billing allows customers to average out high winter heating bills with the generally lower summer heating bills. The reverse is usually true for electric bills, when hot summer months usually mean high electric bills due to the use of air conditioners. These high summer "cooling" bills can be averaged with the generally lower winter bills. However, even with budget billing, there are factors outside ratepayers' control that can change your payment amount. (Remember, usage is always in your control, and conservation is the best way to control your utility bills.)

Some of the conditions that affect your energy rates are:

**Energy Use Patterns** - Changes in the way you use energy will affect the amount you use for this year. For example, conservation measures like caulking and weatherstripping will improve the energy efficiency of your home.

Energy efficient appliances also help bring your utility bills down. The Ratepayer Advocate's Consumer Conservation Handbook details many strategies ratepayers may employ to limit their energy bills. Please refer to the contact information on Page 2 for the main telephone number, website and email addresses to request your copy.

**Weather** - Colder or warmer than normal weather will affect the amount of natural gas or electricity used.

**Supply Prices** - Price changes in the energy market throughout the year can affect the total cost of the energy you use. However, New Jersey has done a good job limiting the impact of short-term electricity price spikes through the use of state-sponsored auctions to acquire firm commitments of electricity generation. The state has also encouraged gas utilities to purchase gas supplies through longer-term contracts to reduce the impact of natural gas price spikes. These and other "hedging" strategies have helped dampen high heating bills.

You can enroll in a budget billing program at any time during the year by calling your energy company. Some companies allow their customers to sign up through Internet sites or by paying the budget bill amount shown on bills. Remember, although you pay a set amount each month on the budget billing plan, you are still responsible for paying for all of your energy usage. Finally, different companies offer different types of budget billing plans. Contact your energy utility for details.

## LEGISLATIVE UPDATE

### Utility Reliability

Ratepayer Advocate Seema M. Singh recently called for permanent reliability standards for all utilities serving New Jersey before the Assembly Telecommunications & Utilities Committee in Trenton.

In her testimony, the Ratepayer Advocate discussed the need for performance standards for all of the State's regulated utilities-electric, natural gas, telephone, cable television, water and wastewater-to ensure that the State's ratepayers receive safe, reliable and affordable service.

Citing last summer's blackout at the Jersey Shore, as well as the North East blackout, the Ratepayer Advocate told the committee that the need for utility reliability should be a top priority.

"Rates are set to enable a utility to provide safe and reliable service," Ms. Singh testified. "If a company does not adequately maintain and upgrade its system, ratepayers are not getting the service they are paying for. We need to find ways to ensure reliability for vital utility services."



### Minimum Energy Efficiency Standards Legislation

At a meeting of the Assembly Telecommunications & Utilities Committee on February 26, 2004, the Ratepayer Advocate testified in support of Assembly bill A-516, which would establish minimum energy efficiency standards for select types of new products sold, offered for sale or installed in New Jersey.

The measure is sponsored by Assemblywoman Bonnie Watson Coleman (D-15), Assemblyman Wilfredo Caraballo (D-29) and Assemblyman John McKeon (D-27). The bill would also authorize the Board of Public Utilities ("BPU"), in consultation with the Commissioner of the Department of Environmental Protection, to promulgate additional efficiency standards that would be cost-effective for consumers.

The Ratepayer Advocate's testimony noted that energy efficiency programs are a low-cost, high-benefit way to meet society's ever-increasing energy needs. The Ratepayer Advocate commends the Legislature and the BPU for their commitment to this important initiative.

## RATEPAYER ADVOCATE CO-HOSTS ROUNDTABLE ON BREAST CANCER PREVENTION AND EARLY DETECTION

Ratepayer Advocate Seema M. Singh, in conjunction with Robert Wood Johnson University Hospital at Hamilton, sponsored a Breast Cancer Awareness Roundtable, "How to Detect and Prevent Breast Cancer and other Related Health Topics," at the hospital on March 29, 2004.

Attended by more than 60 participants, the program included a roundtable of medical experts, health educators, assistance program coordinators and local officials. In addition to emphasizing the importance of awareness and early detection of breast cancer, the roundtable garnered support for Governor James E. McGreevey's two breast cancer initiatives: legislation to require insurers to pay for mammograms for women under 40 with a doctor's order, and the state budget proposal to double funding for NJCEED (New Jersey Cancer Education and Early Detection).

"Governor McGreevey has made early detection of breast cancer one of the highest priorities of his Administration," Ms. Singh told the crowd. "Early detection can save lives.



Seema M. Singh, with Doreleena Sammons-Posey, Program Manager, NJ CEED.

It is important for us to learn not only how to protect our own health and that of our families, but also to better protect the underserved state populations that have inadequate access to high-quality cancer prevention, screening and rehabilitation services."

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